

Bella Vista Water District

Redding, California

**FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORTS**

June 30, 2020



Bella Vista Water District

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Bella Vista Water District
Redding, California

Report on the Financial Statements

We have audited the accompanying financial statements of Bella Vista Water District (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the California State Controller's Office and state regulations governing special districts; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the California State Controller's *Minimum Audit Requirements for California Special Districts*; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

(Continued)

Opinion

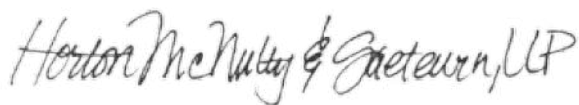
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the California State Controller's Office and the state regulations governing special districts.

Other Matters

Required Supplementary Information Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



October 12, 2020
Chico, California

FINANCIAL SECTION

Required Supplementary Information

Bella Vista Water District

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Bella Vista Water District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for fiscal years ending June 30, 2020, 2019, and 2018. The management's discussion and analysis is designed to: 1) assist the reader in focusing on significant financial issues, 2) provide an overview of the District's financial activity, and 3) identify changes in the District's financial position. Please read and review it in conjunction with the District's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

The net position of the District at the close of the fiscal years 2020 and 2019 totals \$26,114,298 and \$25,372,866, respectively. Of this amount, \$1,045,360 and \$575,044, respectively (unrestricted net position) may be used or were used to meet the District's ongoing obligations. The increase in net position is the result of the increase in capital assets, restricted assets, and operating revenue.

Total operating revenues reached \$6,980,624 in fiscal year 2020 and \$7,191,822 in fiscal year 2019.

Total operating expenses were \$7,159,992 in fiscal year 2020 and \$5,523,676 in fiscal year 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's annual financial report is comprised of three components: 1) management's discussion and analysis (this section), 2) financial statements, and 3) notes to the financial statements.

The financial statements provide both long-term and short-term information about the District's overall financial status along with providing the readers with a broad overview in a manner similar to a private-sector business. The financial statements also include notes that are essential to fully understand the data provided in the financial statements. The notes to the financial statements can be found in this report and explain some of the information in the financial statements and provide more detailed data.

The District maintains an enterprise fund, which is used to account for its water funds. Various accounts are established within the fund. These accounts are utilized as the accounting device for allocations.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units on an accrual basis. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statement of Revenues, Expenses, and Changes in Net Position. All assets and liabilities associated with the operation of the District are included in the Statement of Net Position.

The Statement of Net Position presents the financial position of the District on a full accrual historical cost basis and provides information about the nature and amount of resources and obligations at year-end.

Bella Vista Water District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Net Position

The net position increased at June 30, 2020, in the amount of \$741,432 or approximately 3% more than at June 30, 2019, as a result an increase in unrestricted net assets. By far, the largest portion of the District's net assets (82%) reflects the District's investment in capital assets (e.g., land, building, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

June 30	2020		Percentage Change	** 2018	Percentage Change
ASSETS					
Current assets	\$ 8,718,461	\$ 7,692,617	13.34%	\$ 7,592,172	1.32%
Restricted assets	3,765,387	3,363,408	11.95%	3,091,005	8.81%
Capital assets	26,331,938	26,983,577	-2.41%	25,592,381	5.44%
Other assets	118,134	123,012	-3.97%	127,891	-3.81%
TOTAL ASSETS	38,933,920	38,162,614	1.98%	36,403,449	4.83%
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows from pension	496,486	493,517	0.60%	940,626	-47.53%
Deferred outflows from OPEB	257	342	-24.85%	-	N/A
TOTAL DEFERRED OUTFLOWS OF RESOURCES	496,743	493,859	0.58%	940,626	-47.50%
Total Assets and Deferred Outflows of of Resources	\$ 39,430,663	\$ 38,656,473	2.00%	\$ 37,344,075	3.51%
LIABILITIES					
Current liabilities	\$ 1,352,744	\$ 1,369,766	-1.24%	\$ 1,306,933	4.81%
Long-term debt	4,495,467	5,028,385	-10.60%	5,549,161	-9.38%
Net OPEB liability	4,925,374	4,666,711	5.54%	5,643,456	-17.31%
Net pension liability	2,221,293	1,975,259	12.46%	2,012,650	-1.86%
TOTAL LIABILITIES	12,994,878	13,040,121	-0.35%	14,512,200	-10.14%
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows from pension	321,487	243,486	32.04%	304,788	-20.11%
NET POSITION					
Net investment in capital assets	21,303,551	21,434,414	-0.61%	19,534,806	9.72%
Restricted	3,765,387	3,363,408	11.95%	3,091,005	8.81%
Unrestricted	1,045,360	575,044	81.79%	(98,724)	682.48%
TOTAL NET POSITION	26,114,298	25,372,866	2.92%	22,527,087	12.63%
Total Liabilities, Deferred Inflows, and Net Position	\$ 39,430,663	\$ 38,656,473	2.00%	\$ 37,344,075	3.51%

**As restated in 2018 financial statements for GASB 75.

Bella Vista Water District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Changes in Net Position

At the end of the current fiscal year, the District is able to report a positive balance in its net position. As stated previously, the net position increased at June 30, 2020, in the amount of \$741,432 or approximately 3% more than at June 30, 2019, as a result of revenues in excess of expenses. Operating revenues decreased at June 30, 2020, by \$211,198 or 3% less than at June 30, 2019. The major factor attributable to the decrease was one-time grant revenue received in 2019.

June 30	2020	2019	Percentage Change	** 2018	Percentage Change
Operating revenues	\$ 6,980,624	\$ 7,191,822	-2.94%	\$ 6,654,825	8.07%
Operating Costs and Expenses					
Operating expenses	6,096,170	4,636,030	31.50%	5,723,670	-19.00%
Depreciation	1,063,822	887,646	19.85%	1,008,754	-12.01%
Total Operating Expenses	7,159,992	5,523,676	29.62%	6,732,424	-17.95%
Operating Income (Loss)	(179,368)	1,668,146	-110.75%	(77,599)	2249.70%
Net nonoperating revenue (expenses)	920,800	841,122	9.47%	731,785	14.94%
Net capital contributions	-	336,511	-100.00%	155,700	116.13%
Change in Net Position	741,432	2,845,779	-73.95%	809,886	251.38%
Net Position - Beginning of Year	25,372,866	22,527,087	12.63%	21,717,201	3.73%
Net Position - End of Year	\$ 26,114,298	\$ 25,372,866	2.92%	\$ 22,527,087	12.63%

**Balances not restated for GASB 75 as the information was not available.

CAPITAL ASSET AND DEBT ADMINISTRATION

The major capital asset events that occurred during the current fiscal year were the addition of a second solar site, SCADA upgrades, and operating equipment. As of June 30, 2020, the District's investment in capital assets was \$26,331,938 (net of accumulated depreciation). This amount represents a net decrease of \$651,639 or 2% from June 30, 2019. More detailed information about the capital assets of the District is set forth in the notes to the financial statements.

June 30	2020	2019	Percentage Change	2018	Percentage Change
Land	\$ 122,004	\$ 122,004	0.00%	\$ 122,004	0.00%
Land improvements	356,796	356,796	0.00%	356,796	0.00%
Buildings	4,692,501	2,675,279	75.40%	2,675,279	0.00%
Water system	40,964,403	40,958,697	0.01%	40,670,307	0.71%
General plant and equipment	2,020,880	1,877,223	7.65%	1,603,696	17.06%
Office furniture and equipment	164,540	166,346	-1.09%	80,958	105.47%
Lease improvements	483,003	483,003	0.00%	483,003	0.00%
Construction in progress	328,075	2,148,659	-84.73%	627,607	242.36%
Total Capital Assets	49,132,202	48,788,007	0.71%	46,619,650	4.65%
Accumulated depreciation	(22,800,264)	(21,804,430)	4.57%	(21,027,269)	3.70%
Total Capital Assets - Net	\$ 26,331,938	\$ 26,983,577	-2.41%	\$ 25,592,381	5.44%

Bella Vista Water District
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Debt Administration

Long-term debt includes the repayment of the following obligations: United States Department of the Interior Repayment Contract, the 1915 Act Special Assessment Bonds (96-1 Assessment), and State of California Department of Water Resources SDWSRF loan repayment. More detailed information about the debt of the District is set forth in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The assessed valuation within the District increased \$21,603,680 million or 4% in the 2019-20 fiscal year, from a total assessed valuation of \$504,921,648 to \$526,528,328. The District's assessed valuation has continued to show growth and the District has taken that into account along with the inflationary trends, the water sales, and the unemployment rate for the County of Shasta in preparing the District's current-year budget. The District continues to maintain and budget using a 20-year Extraordinary Operations Maintenance and Replacement (EOMR) schedule that assists in planning for long-term costs. The costs for these projects continue to be a benchmark and the District estimates for reserve placement for these costs annually by averaging the 20 year estimates from the EOMR schedule. The 2020-21 fiscal year operating budget includes a total of \$9,252,937 in revenue which consists of water sales, county taxes and other funds available for use and a large Winn Act Contract payoff. The operating budget includes expenses in the amount of \$9,252,937, an increase from the 2019-20 fiscal year budget (\$8,793,069) of \$459,868 or approximately 5%, as a result of our recently adopted rate study which now sets forth funding for our OPEB liability and also additional funding from our previous Water Treatment obligation and a payoff of the District Winn Act Contract. The District continues to budget for all Capital Improvements under the General Operating Budget at this time. The District's 2020-21 Debt Service Schedule was adopted in the amount of \$639,755. The Water Treatment Improvement fees are collected on every active account in the amount of \$14.00 bi-monthly which is used to repay the SDWSRF obligation created by the necessary and required Water Treatment Improvements. In addition, there is an additional funding in the Budget of \$123,407 to maintain the required reserve. The Governor's Executive Order, N-42-20, precludes shut-off for non-payment, unless or until rescinded. As a result, the District will likely experience an increase in delinquencies and uncollectible accounts.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or questions for additional financial information should be addressed to:

Connie M. Wade, Office Manager
Bella Vista Water District
11368 E. Stillwater Way
Redding, California 96003
(530) 241-1085

Basic Financial Statements

Bella Vista Water District
STATEMENT OF NET POSITION

June 30, 2020

ASSETS

Current Assets

Cash and cash equivalents	\$ 7,707,188
Cash in Shasta County Treasury	134,960
Accounts receivable - net	657,989
Due from state government	37,181
Grant receivable	27,700
1915 Act Special Assessment Bonds receivable - current	4,879
Inventories	47,727
Deposits and prepaid expenses	100,837

Total Current Assets 8,718,461

Restricted Assets

Cash and cash equivalents:	
Department of Interior note reserve	80,590
Capital improvement funds	2,762,280
Water treatment plant improvement funds	690,395
Palo Cedro special projects	182,768
1996 Redemption Fund	49,354

Total Restricted Assets 3,765,387

Capital Assets

Nondepreciated capital assets	450,079
Depreciable capital assets - net	25,881,859

Total Capital Assets 26,331,938

Other Assets

1915 Act Special Assessment Bonds receivable - long-term portion	118,134
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TOTAL ASSETS 38,933,920

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows from pension	496,486
Deferred outflows from OPEB	257

TOTAL DEFERRED OUTFLOWS OF RESOURCES \$ 496,743

The accompanying notes are an integral part of these financial statements.

Bella Vista Water District
STATEMENT OF NET POSITION
(Continued)

June 30, 2020

LIABILITIES

Current Liabilities

Accounts payable	\$	203,309
Deposits held		179,177
Customer prepayments		50,039
Accrued wages		90,073
Accrued interest		59,443
Accrued benefits and compensated absences		210,843
Other accrued liabilities		26,940
Long-term debt, due within one year		532,920

Total Current Liabilities 1,352,744

Long-Term Liabilities

Long-term debt, due in more than one year		4,495,467
Net OPEB liability		4,925,374
Net pension liability		2,221,293

Total Long-Term Liabilities 11,642,134

TOTAL LIABILITIES 12,994,878

DEFERRED INFLOWS OF RESOURCES

Deferred inflows from pension		321,487
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NET POSITION

Net investment in capital assets		21,303,551
Restricted		3,765,387
Unrestricted		1,045,360

TOTAL NET POSITION \$ 26,114,298

The accompanying notes are an integral part of these financial statements.

Bella Vista Water District

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Year Ended June 30, 2020

Operating Revenues

Sale of water:	
Municipal and industrial	\$ 3,631,264
Agriculture and aquaculture	278,951
New meters	19,390
New services	1,295
Cross connections	25,474
Special assessment	1,866,768
Capital and water treatment improvement fees	947,698
Grant revenue	58,834
Other charges	150,950

Total Operating Revenues	6,980,624
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Operating Expenses

Wages and salaries	1,981,239
Depreciation	1,063,822
Payroll taxes and benefits	923,437
Water purchases and other water costs	886,219
Postemployment benefits	934,381
Repairs and maintenance	327,972
Utilities and communications	228,197
Legal and professional	151,641
General and administrative expenses	98,790
Chemicals and lab services	105,239
Insurance	90,799
Tools and supplies	86,628
Grant expenses	124,849
Transportation	65,721
Office supplies	26,838
Memberships and dues	26,229
Miscellaneous expenses	19,196
Education and training	6,877
Janitorial	6,318
Equipment rental	5,600

Total Operating Expenses	7,159,992
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Loss From Operations	\$ (179,368)
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The accompanying notes are an integral part of these financial statements.

Bella Vista Water District

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

(Continued)

Year Ended June 30, 2020

Nonoperating Revenues (Expenses)	
County tax allocation	\$ 835,080
Interest income	209,855
Interest expense	(124,135)
Total Nonoperating Revenues (Expenses)	920,800
Change in Net Position	741,432
Net Position - Beginning of Year	25,372,866
Net Position - End of Year	\$ 26,114,298

The accompanying notes are an integral part of these financial statements.

Bella Vista Water District
STATEMENT OF CASH FLOWS

Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 4,975,147
Cash received from special assessment	1,871,646
Cash received from grantors	84,160
Cash paid to suppliers	(2,211,828)
Cash paid to/on behalf of employees	(3,257,639)

NET CASH PROVIDED BY OPERATING ACTIVITIES 1,461,486

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Cash received from county tax allocation	835,080
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of capital assets	(412,183)
Principal payments on long-term debt	(520,776)
Interest paid on long-term debt	(130,252)

NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES (1,063,211)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	209,855
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Net Change in Cash and Cash Equivalents 1,443,210

Cash and Cash Equivalents - Beginning of Year 10,164,325

Cash and Cash Equivalents - End of Year \$ 11,607,535

COMPONENTS OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents	\$ 7,707,188
Cash in Shasta County Treasury	134,960
Restricted cash	3,765,387

Total Cash and Cash Equivalents \$ 11,607,535

The accompanying notes are an integral part of these financial statements.

Bella Vista Water District
STATEMENT OF CASH FLOWS
(Continued)

Year Ended June 30, 2020

**RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Loss from operations	\$ (179,368)
Adjustments to reconcile loss from operations to net cash provided by operating activities:	
Depreciation	1,063,822
Net amortization of deferred outflows (inflows) from pension	(263,566)
Net amortization of deferred outflows (inflows) from OPEB	85
Changes in:	
Accounts receivable	(38,264)
Due from state government	(37,181)
Grant receivable	25,326
1915 Act Special Assessment Bonds receivable	4,878
Inventories	25,762
Deposits and prepaid expenses	39,744
Deferred outflows from pension	82,813
Accounts payable	(20,221)
Deposits held	7,030
Customer prepayments	(11,460)
Accrued wages	12,654
Accrued benefits and compensated absences	(11,050)
Net pension liability	246,034
Net OPEB liability	258,663
Deferred inflows from pension	255,785
Total Adjustments	1,640,854
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,461,486

The accompanying notes are an integral part of these financial statements.

Bella Vista Water District

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bella Vista Water District (the District) was formed on June 17, 1957, and was organized as a water district under Division 13 of the *California Water Code*. The District's purposes are limited to "produce, store, and distribute water for irrigation, domestic, industrial, and municipal purposes and reclaim lands incidental thereto or connected therewith".

The District operates under an elected Board of Directors. The accounting methods and procedures adopted by the District conform to generally accepted accounting principles (GAAP) as applied to government entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies established in GAAP, and used by the District are discussed below.

Basis of Accounting The District's activities are accounted for as an enterprise fund (a business-type activity) and the accounting records are maintained on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

When both restricted and unrestricted resources are available for use, it is the District's policy to use unrestricted resources first, then restricted resources as they are needed.

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents Cash and cash equivalents includes amounts in demand deposits as well as short-term investments with a maturity date of three months to one year from the date acquired by the District.

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

Bella Vista Water District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The District maintains some of its cash in the Shasta County Treasury (the County) as part of the common investment pool. The County is restricted by *California Government Code*, Section 53635 pursuant to Section 53601, to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. Investments in the County pool are valued using the amortized cost method (which approximates fair value) and include accrued interest. The pool has deposits and investments with a weighted-average maturity of more than one year. As of June 30, 2020, the fair value of the County pool was 101.38% of the carrying value and is deemed to not represent a material difference. Information regarding the amount of dollars invested in derivatives with the County was not available. The County investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by *California Government Code*, Section 27130. State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, and repurchase agreements.

Accounts Receivable, Due From State Government, and Grant Receivable Receivables represent revenues earned but not collected. Receivables are uncollateralized and are valued at cost. Any losses on uncollectible receivables are recognized when such losses become known or indicated. All receivables are adjusted to net realizable value when they are determined to be delinquent based on historical experience.

The allowance for doubtful accounts totaled \$5,000 at June 30, 2020. The allowance is estimated based on the analysis of specific customers, taking into consideration the amount of past due accounts.

Inventories Inventories are valued at cost, which approximates market, using the average cost method. The District's inventories of meters are valued under a pooled average basis.

Deposits and Prepaid Expenses Payments made to vendors for services that will benefit periods beyond the fiscal year-end are recorded as prepaid assets.

Restricted Assets Certain loan proceeds as well as certain resources set aside for their repayment are classified as restricted assets because their use is limited by applicable loan covenants. In addition, funds have been reserved for capital improvements, repairs, and maintenance.

Capital Assets The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related assets, as applicable.

Interest expense that relates to the cost of acquiring or constructing capital assets is capitalized. Interest expense incurred in connection with construction of capital assets has been reduced by interest earned on the investment of funds borrowed for construction in accordance with FASB Statement No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*. The District did not capitalize any interest expense during the fiscal year ended June 30, 2020.

Bella Vista Water District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

All purchased capital assets with an initial cost of \$10,000 or more and an estimated useful life in excess of one year are valued at cost based upon purchasing records, when available, and at an estimated historical cost where no historical records exist. Donated capital assets are valued at estimated fair market value on the date received.

Accumulated depreciation is reported on the accompanying statement of net position. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method.

Buildings	40 years
Land and improvements	10 years
Water system – constructed	50 years
Water system - contributed	50 years
Office furniture and equipment	10 years
Plant equipment	15 years

Compensated Absences Vested or accumulated sick leave, comp time and floater holiday pay, and vacation pay is recorded as an expense and liability as the benefits accrue to employees. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Deferred Outflows/Inflows of Resources In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period which will only be recognized as an outflow of resources (expense) in the future. District contributions subsequent to the measurement date related to the pension plan, are reported as deferred outflows of resources in the statement of net position. District contributions subsequent to the measurement date will be amortized during the next fiscal year.

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and would only be recognized as an inflow of resources (revenue) at that time.

Changes in proportion and differences between the District’s contributions and proportionate share of pension contributions, the District’s proportionate share of the net difference between projected and actual earnings on pension plan investments, changes in assumptions, and the differences between the District’s expected and actual experience, are reported as deferred inflows of resources or deferred outflows of resources in the statement of net position. These amounts are amortized over the estimated service lives of the pension plan participants.

Differences between projected and actual earnings on OPEB plan investments are reported as deferred inflows or deferred outflows of resources in the statement of net position. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided OPEB through the OPEB plan.

Bella Vista Water District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Net Pension Liability For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to the pension and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement system (CalPERS) plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits (OPEB) For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

Net Position Net position represents the difference between assets and liabilities. The District's net position is classified as follows:

Net Investment in Capital Assets: Net investment in capital assets represents the District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted Net Position: Restricted net position represents resources which are legally or contractually obligated to be spent in accordance with restrictions imposed by external third parties.

Unrestricted Net Position: Unrestricted net position represents resources available for transactions relating to the general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

Operating Revenue and Expense The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. Operating expenses for the District include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Bella Vista Water District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

Tax Revenues The County of Shasta (the County) assesses, bills, and collects property taxes for the District.

The County property tax is levied each year on November 1 on the assessed valuation of land located in the County as of the preceding lien date (March 1). Taxes are receivable in two equal installments, which become delinquent the first working day after December 10 and April 10.

The County adopted the alternative method of tax apportionment (“Teeter Plan”). The District determined they would participate in this plan. Under the plan, the County remits all property taxes and special assessments due to the District without regard to their current or delinquent status.

Water System Special Assessment Section 37203 of the *California Code*, upon a vote of the affected property owners, allows a California Water District to compel the county in which it is located to levy and collect ad valorem assessments on all lands located within the District, sufficient to raise monies to provide for the operations and debt service of the District. The assessment was authorized by the voters in March 1964.

Budget The District’s budget is adopted on a modified accrual basis, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The annual appropriations lapse at fiscal year-end.

2. CASH AND CASH EQUIVALENTS

Deposits

All of the District’s deposits in financial institutions are entirely insured or collateralized. The *California Government Code* requires California banks and savings and loan associations to secure local agency deposits by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of a local agency’s deposit:

June 30, 2020	
Carrying amount	\$ 11,472,025
Deposits (1)	\$ 11,467,389
Amount covered by federal depository insurance	(250,000)
Amount Covered by Collateral Held by Agents of Pledging Bank	\$ 11,217,389

(1) **Deposits** The carrying amount of deposits includes checking accounts, savings accounts, nonnegotiable certificates of deposit, and money market accounts at financial institutions, if any.

Bella Vista Water District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Collateral was not held in the District's name. (There is no government code requirement that collateral be held in the District's name.)

The District also keeps \$550 of petty cash on hand.

Equity in Pooled Cash and Investments

The District maintains cash equivalents in pools managed by others. The District's pooled cash and investments were as follows:

June 30, 2020

Cash in Shasta County Treasury (2)	17.8 months average	\$	134,960
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(2) **Investments That Are Not Securities** A "security" is a transferable financial instrument that evidences ownership or creditorship, whether in physical or book-entry form. Investments that are not securities do not have custodial credit risk because they do not involve a transferable financial instrument. Thus, they are not categorized into custodial credit risk categories.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; and level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2020:

- County treasurer's investment pool of \$134,960 is valued using quoted prices for similar instruments in active markets and quoted prices for identical or similar instruments in markets that are not active (level 2 inputs).

Credit Risk - Investments

The District has a formal investment policy on managing credit risk; the District's policy and the *California Government Code* authorize the District to invest in obligations, participations, or other investments of the U.S. Government or its agencies, state and municipal bonds, commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by Standard & Poor's Corporation or Moody's Investment Service, Inc., bankers' acceptances, repurchase agreements, and the State Treasurer's Investment Pool (LAIF). The District's investment in the County investment pool is unrated.

Concentration of Credit Risk

California Government Code, Section 53635, places the following concentration limits on the County investment pool:

No more than 40% may be invested in eligible commercial paper; no more than 10% may be invested in the outstanding commercial paper of any single issuer; and no more than 10% of the outstanding commercial paper of any single issuer may be purchased.

California Government Code, Section 53601, places the following concentration limits on the District's investments:

No more than 5% may be invested in the securities of any one issuer, except the obligations of the U.S. government, U.S. government agencies, and U.S. government-sponsored enterprises; no more than 10% may be invested in any one mutual fund; no more than 25% may be invested in commercial paper; no more than 10% of the outstanding commercial paper of any single issuer may be purchased; no more than 30% may be invested in bankers' acceptances of any one commercial bank; no more than 30% may be invested in negotiable certificates of deposit; no more than 20% may be invested in reverse repurchase agreements; and no more than 30% may be invested in medium-term notes.

The District's policy limits the amount that may be invested in any one permissible investment type.

Bella Vista Water District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

3. CAPITAL ASSETS

Capital assets consisted of the following:

Year Ended June 30, 2020	Beginning Balance	Additions	Deductions	Ending Balance
Nondepreciated Capital Assets				
Land	\$ 122,004	\$ -	\$ -	\$ 122,004
Construction in progress	2,148,659	243,856	2,064,440	328,075
Total Nondepreciated Capital Assets	2,270,663	243,856	2,064,440	450,079
Depreciated Capital Assets				
Buildings	2,675,279	2,017,222	-	4,692,501
Land improvements	356,796	-	-	356,796
Water system	40,958,697	5,706	-	40,964,403
Equipment	1,877,223	209,839	66,182	2,020,880
Office furniture and equipment	166,346	-	1,806	164,540
Filter plant improvements	483,003	-	-	483,003
Total Depreciated Capital Assets	46,517,344	2,232,767	67,988	48,682,123
Totals at Historical Cost	48,788,007	2,476,623	2,132,428	49,132,202
Less: Accumulated depreciation				
Buildings	377,580	28,205	-	405,785
Land improvements	258,143	27,566	-	285,709
Water system	19,450,003	911,064	-	20,361,067
Equipment	1,154,204	88,987	66,182	1,177,009
Office furniture and equipment	81,497	8,000	1,806	87,691
Filter plant improvements	483,003	-	-	483,003
Total Accumulated Depreciation	21,804,430	1,063,822	67,988	22,800,264
Total Depreciated Capital Assets - Net	24,712,914	1,168,945	-	25,881,859
Capital Assets - Net	\$ 26,983,577	\$ 1,412,801	\$ 2,064,440	\$ 26,331,938

Bella Vista Water District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

4. ACCRUED BENEFITS AND COMPENSATED ABSENCES

Accrued benefits and compensated absences consist of the following:

June 30, 2020

Vacation	\$	107,645
Sick leave		80,904
Comp time and floater holidays		22,294
Total Accrued Benefits and Compensated Absences	\$	210,843

5. CHANGES IN LONG-TERM DEBT

Year Ended June 30, 2020	Beginning Balance	Additions	Deductions	Ending Balance
1915 Act Special Assessment Bonds	\$ 127,891	\$ -	\$ (4,879)	\$ 123,012
Direct borrowing: State of California Department of Water Resources	5,421,272	-	(515,897)	4,905,375
Total Long-term Debt	\$ 5,549,163	\$ -	\$(520,776)	5,028,387
Amounts due within one year				(532,920)
Amounts Due in More Than One Year				\$ 4,495,467

1915 Act Special Assessment Bonds

The District issued Limited Obligation Improvement Bonds (1915 Act), Series A, for \$201,470 on August 7, 1997, in order to provide the matching funding required to complete the Logan Road Water Project. The bonds call for semi-annual interest payments at 5% on March 2 and September 2 of each year. Principal payments are due on September 2 of each year through the year 2036, and the principal payment amount ranges from \$3,000 to \$11,000. The bonds are secured by special assessment taxes to be collected by the County of Shasta.

Bella Vista Water District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Direct Borrowing: State of California Department of Water Resources

On September 16, 2004, the District entered into a funding agreement with the State of California Department of Water Resources for a construction loan under the Safe Drinking Water State Revolving Fund Law of 1997 (SDWSRF) to upgrade the District's water treatment plant. The amount of the loan was not to exceed \$10,399,538. Interest is charged at a rate of 2.34% annually. Interest during the construction period was due semi-annually. Principal payments commenced one year from the project completion date. The project was completed in August 2008 and the first semi-annual principal payment for this loan was due July 1, 2009. The entire amount of the loan plus interest is due and payable within 20 years from the date of the first payment. The loan is collateralized by the revenues from the water treatment plant improvement fees. The District adopted a five year rate study plan on March 1, 2018, in order to maintain the required level of reserve pursuant to the terms of the lending agreement.

The annual debt service requirements to amortize all long-term debt, including interest are as follows:

Year Ending June 30	1915 Act Special Assessment Bond (96-1 Logan Road)	Loan Fund (SDWSTR)	Total
2021	\$ 10,907	\$ 639,755	\$ 650,662
2022	11,151	639,755	650,906
2023	10,881	639,755	650,636
2024	11,100	639,755	650,855
2025	11,294	639,755	651,049
2026-2030	55,361	2,235,444	2,290,805
2031-2035	53,338	-	53,338
2036-2037	15,991	-	15,991
Total	180,023	5,434,219	5,614,242
Less: Interest	57,011	528,844	585,855
Net Principal	\$ 123,012	\$ 4,905,375	\$ 5,028,387

Bella Vista Water District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

6. NET PENSION LIABILITY

Qualified employees are covered under a cost-sharing multiple-employer defined benefit pension plan maintained by the California Public Employees’ Retirement System (CalPERS).

Summary

Net pension liability, deferred outflows or resources, deferred inflows of resources, and pension expense are reported as follows:

June 30, 2020	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalPERS Public Agency Pool	\$ 2,221,293	\$ 496,486	\$ 321,487	\$ 459,648

Plan Description All full-time employees participate in CalPERS, a cost-sharing, multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The District is part of a “cost-sharing” pool within CalPERS.

Benefit provisions are established by state statute, as legislatively amended, within the Public Employees’ Retirement Law. CalPERS issues a publicly available financial report that can be obtained at www.calpers.ca.gov.

Benefits Provided Employees are eligible for retirement as early as age 50 with five years of service. The California Public Employees’ Pension Reform Act (PEPRA) took effect January 1, 2013 and changed the way CalPERS retirement and health benefits are applied and placed limits on member compensation. Employees under PEPRA are eligible for retirement as early as age 52 with five years of service. For employees hired before PEPRA, at age 60, the employee is entitled to a monthly benefit of 2.0% of the highest three years of compensation for each year of service. For employees hired after PEPRA, at age 62, the employee is entitled to a monthly benefit of 2.0% of the highest three years of compensation for each year of service.

Retirement after age 60 will increase the percentage rate to a maximum of 2.418% at age 63 for employees hired before PEPRA and to a maximum rate of 2.500% at age 67 for employees hired after PEPRA. The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from CalPERS, members’ accumulated contributions are refundable with interest credited through the date of separation.

Bella Vista Water District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Contributions For employees hired before PEPR, active plan members are required to contribute 7.0% of their salary (7.0% of monthly salary over \$133.33 if the member participates in Social Security). For employees hired after PEPR, active plan members are required to contribute 6.25% of their salary (6.25% of monthly salary over \$133.33 if the member participates in Social Security). Also, the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. For employees hired before PEPR, the required employer contribution rate for the fiscal year ended June 30, 2020, was 8.081% of annual payroll. For employees hired after PEPR, the required employer contribution rate for the fiscal year ended June 30, 2020, was 6.985% of annual payroll. The District's contributions to CalPERS for the fiscal year ended June 30, 2020 were \$138,582, and equaled 100% of the required contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Pension At June 30, 2020, the District reported a net pension liability of \$2,221,293 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating districts and the State, actuarially determined. At June 30, 2020, the District's proportion was .0555%.

For the year ended June 30, 2020, the District recognized pension expense of \$459,648. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 142,324	\$ -
Net difference between projected and actual earnings on pension plan investments	-	38,835
Change in assumptions	68,373	-
Changes in proportion and differences between District contributions and proportionate share of contributions	147,207	282,652
District contributions subsequent to the measurement date	138,582	-
Total	\$ 496,486	\$ 321,487

Bella Vista Water District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The \$138,582 reported as deferred outflows of resources related to the pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

Year Ending June 30

2021	\$	91,166
2022		(56,832)
2023		(5,763)
2024		7,846
Total	\$	36,417

Actuarial Assumptions The total pension liability in the June 30, 2018, actuarial valuation for CalPERS was determined using the following actuarial assumptions applied to all periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Salary increases	Varies by entry age and service
Investment rate of return	7.15%

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using 90% of Scale MP-2016 published by the Society of Actuaries.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 1997, through June 30, 2015.

Bella Vista Water District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The tables below reflect long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate.

Asset Class	Assumed Asset Allocation	Real Rate of Return	
		Years 1 - 10	Years 11+
Global equity	50%	4.80%	5.98%
Fixed income	28%	1.00%	2.62%
Inflation assets	0%	0.77%	1.81%
Private equity	8%	6.30%	7.23%
Real estate	13%	3.75%	4.93%
Liquidity	1%	0.00%	-0.92%
Total	100%		

Discount Rate The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at a statutorily required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Bella Vista Water District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as the District's proportionate share of the net pension liability if it was calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate:

June 30, 2020	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's proportionate share of the net pension liability	\$ 3,655,959	\$ 2,221,293	\$ 1,037,077

Pension Plan Fiduciary Net Position Detailed information about the pension plan's fiduciary net position is available in CalPERS' separately issued CAFR.

7. DEFERRED COMPENSATION

The District also offers its employees a deferred compensation plan created in accordance with *Internal Revenue Code*, Section 457. The plan, available to all District employees, permits them to defer a portion of their salary up to the legal limit until future years. Participation in the plan is optional. The District currently has two options employees can voluntarily defer to: VALIC or CalPERS. They can defer to both, one, or none. The deferred compensation balance is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights, are held in trust for the "exclusive benefit of governmental plan participants." Consistent with this, the District has no rights to these monies and, therefore, plan assets and liabilities are not reported on the District's financial statements.

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The District has established a Retiree Healthcare Plan (HC Plan) under the CalPERS Public Employees' Medical and Hospital Care Act (PEMHCA), and participates in an agent multiple-employer defined benefit retiree healthcare plan. The HC Plan provides lifetimes healthcare insurance for eligible employees and their eligible family members through the District's group health insurance plan, which covers both active and retired members.

The District has fewer than 100 employees (active and inactive) who are eligible for OPEB through the HC Plan. Therefore, in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, the District uses the Alternative Measurement Method (AMM) as a modified approach to calculate the District's OPEB liability. The AMM permits some simplified methods for setting the assumptions to be used in the calculation, however, the AMM includes the same broad steps as an actuarial valuation, including projecting benefit payments, discounting those payments to present value, and attributing the present value of projected benefit payments to time periods using an actuarial cost method.

Bella Vista Water District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Benefits Provided

The HC Plan provides employees who retire directly from the District, at a minimum age of 55, with a minimum of 10 years of service, payments for CalPERS Choice Basic medical insurance premiums for employee plus spouse, starting at 50% of the employer contribution and increasing 5% per year, up to 100% in the 20th year. Payments coordinate when retiree or spouse is eligible for Medicare. Surviving spouses are also eligible for this benefit.

Employees who retire directly from the District at a minimum age of 55 with a minimum of 10 years of service are eligible to continue medical coverage as a participant with active employees at a blended premium rate. When eligible for Medicare at age 65, the HC Plan becomes a secondary plan at a reduced rate. A separate financial report is not prepared for the HC Plan.

Employees Covered

As of the June 30, 2020 valuation, the employees covered by the benefit terms of the HC Plan consisted of:

June 30, 2020

Inactive HC Plan members or beneficiaries currently receiving benefit payments	14
Active HC Plan members	23
Total	37

Contributions

Benefits provisions are established and may be amended by the District's Board of Directors as authorized by bylaws. The HC Plan provides for the District to contribute 100% of the cost of health insurance premiums for retirees and their eligible family members. For the fiscal year ended June 30, 2020, the District contributed \$183,805 representing premium payments on behalf of retired employees. In addition, the District made a prefunding contribution of \$215,819 to the CalPERS Employee Retirement Benefit Trust (CERBT).

Net OPEB Liability

The District's net OPEB liability for the HC Plan is measured as the total OPEB liability, less the HC Plan's fiduciary net position. The net OPEB liability of the HC Plan is measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined using the Alternative Measurement Method (AMM) dated June 30, 2020. The June 30, 2020, total OPEB liability was based on the actuarial methods and assumptions as shown below.

Bella Vista Water District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions

The District's net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB was determined using the Alternative Measurement Method (AMM) dated June 30, 2020, based on the following actuarial methods and assumptions:

Measurement date	June 30, 2020
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Discount rate	3.229%
Salary increases	1.25%
Healthcare cost trend rate - medical	4.60%
Healthcare cost trend rate - pharmacy	7.60% ⁽¹⁾
Healthcare cost trend rate - dental	4.00% ⁽²⁾
Healthcare cost trend rate - vision	3.00%

(1) Decreasing 2.9% to an ultimate rate of 4.70% in year seven.

(2) Decreasing 1.00% to an ultimate rate of 3.00% in year three.

Mortality is based on PR 2000 Mortality Table for Males and Females Projected 18 years. Turnover assumptions are derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System.

Long-Term Expected Rate of Return

As of the valuation date of June 30, 2020, the District has OPEB plan assets of \$691,768 in CERBT for the purpose of prefunding obligations for past service. The target allocation and best estimate of arithmetic real rates of return are summarized as follows:

CERBT Asset Allocation Strategy	Target Allocation	Long-Term Expected Real Rate of Return
CERBT Strategy 3	100.00%	6.22%
CERBT Strategy 3 Asset Class Allocation		
Global equity	22.00%	
Fixed income	49.00%	
Treasury inflation-protected securities	16.00%	
Real estate investment trusts (REITs)	8.00%	
Commodities	5.00%	
Cash	0.00%	

Bella Vista Water District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 3.229%. The discount rate is based on a yield or index for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or better. The District does not expect that contributions to CERBT will be sufficient to cover all benefit payments in future years.

Changes in the Net OPEB Liability

The changes in the net OPEB liability for the HC Plan are as follows:

Year Ended June 30, 2020

Total OPEB Liability	
Service cost	\$ 130,586
Interest	166,384
Effect of economic/demographic gains or losses	390,615
Benefit payments - including refunds of employee contributions	(183,805)
Net Change in Total OPEB Liability	503,780
Total OPEB Liability - Beginning of Year	5,113,362
Total OPEB Liability - End of Year (a)	5,617,142
Plan Fiduciary Net Position	
Contributions - employer	399,624
Net investment income	29,525
Benefit payments - including refunds of employee contributions	(183,805)
Administrative expense	(227)
Net Change in Plan Fiduciary Net Position	245,117
Plan Fiduciary Net Position - Beginning of Year	446,651
Plan Fiduciary Net Position - End of Year (b)	691,768
Net OPEB Liability - End of Year ((a) - (b))	\$ 4,925,374
Plan fiduciary net position as a percentage of the total OPEB liability	12.32%
Covered-employee payroll	\$ 1,775,053
District's net OPEB liability as a percentage of covered-employee payroll	277.48%

Bella Vista Water District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's net OPEB liability calculated using the discount rate of 3.229%, as well as the District's net OPEB liability if it was calculated using a discount rate that is one percentage point lower (2.229%) or one percentage point higher (4.229%) than the current rate:

June 30, 2020	1% Decrease (2.229%)	Current Discount Rate (3.229%)	1% Increase (4.229%)
Net OPEB liability	\$ 5,614,781	\$ 4,925,374	\$ 4,346,881

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the District's net OPEB liability calculated using the various healthcare cost trend rates, as well as the District's net OPEB liability if it was calculated using a healthcare trend rate that is one percentage point lower than the current rates:

June 30, 2020	1% Decrease	Health Cost Trend Rates (Various)	1% Increase
Net OPEB liability	\$ 4,845,017	\$ 4,925,374	\$ 5,006,119

Plan Fiduciary Net Position

Detailed information about the HC Plan's fiduciary net position is available from CalPERS which issues a publicly available financial report on CERBT that can be obtained at www.calpers.ca.gov.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2020, the District recognized OPEB expense of \$474,733. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on HC Plan investments	\$ 257	\$ -

Bella Vista Water District
NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Amounts reported as deferred inflows and deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	
2021	\$ 85
2022	85
2023	87
Total	\$ 257

9. SPECIAL ASSESSMENT BONDS

Special assessment bonds are used for the provision and financing of public improvements, which primarily benefit the particular taxpayers against whose properties special assessments are levied. Property owners are given the option of paying their special assessments in a lump sum or in interest-bearing annual installments over a number of years. Special assessment bonds issued to finance initial construction costs are secured by liens on the property of those taxpayers electing to pay their assessments in annual installments.

The GASB issued Statement No. 6, *Accounting and Financial Reporting for Special Assessments*, in January 1989. Reporting requirements for governments vary under this statement, dependent on whether or not the government is obligated in some manner for special assessment debt.

In accordance with legal requirements pertaining to the sale of 1915 Act Special Assessment Bonds, a reserve fund was established out of the proceeds of the bond sale and is utilized to cover delinquencies by property owners.

Delinquencies, if any, at June 30, 2020, are immaterial and are covered by the Teeter Plan.

The liability for the payment of the outstanding 1915 Act Special Assessment Bonds are reported and disclosed in note 5.

Bella Vista Water District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

10. RISK MANAGEMENT

The District has obtained general liability, auto liability, public officials' liability, workers' compensation, property coverage, and fidelity coverage through the Association of California Water Agencies - Joint Powers Insurance Authority (JPIA), a joint powers authority of the California public water agencies.

June 30, 2020	JPIA Pooled Amount	Commercial Insurance Additional Coverage
General, auto, and public officials' liability	\$ 5,000,000	\$ 55,000,000
Cyber	\$ -	\$ 5,000,000 *
Workers' compensation	\$ 2,000,000	\$ 4,000,000
Property coverage	\$ 100,000	\$ 500,000,000
Fidelity	\$ -	\$ 1,000,000

**\$3,000,000/occurrence, \$5,000,000 aggregate*

Each member's share of pooled insurance costs depends on the losses of all members. In addition, the cost to a member district will also depend on the loss experience of that district. Districts with a consistent record of costly claims will pay more than districts with a consistent record of less serious claims activity. Settled claims resulting from the risks identified above have not exceeded insurance coverage in the past three years. No significant reductions in insurance coverage from the prior year have been made.

A representative of each member district, appointed by the board of directors of that district, serves on the board of directors of the JPIA. The board of directors is responsible for deciding the risks the JPIA will underwrite, monitoring the costs of claims, and arranging financial programs. Each member of the board of directors has an equal vote in matters concerning the JPIA.

The District's share of year-end assets, liabilities, and fund equity is not calculated by the JPIA. Separately issued financial statements can be requested from the JPIA.

Bella Vista Water District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

11. RESTRICTED NET POSITION

Restricted net position consists of the following:

Year Ended June 30, 2020

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Department of Interior Note Reserve - The purpose of these funds is to ensure that the District maintains adequate financial capability to meet unusual and unforeseen extraordinary operation and maintenance costs as per the Bureau contracts.	\$ 80,590
Capital Improvement Fund - This fund was established to deposit capital improvement fees charged for use towards the construction and improvement of District facilities and to maintain adequate facilities as growth in the District occurs.	2,762,280
Water Treatment Plant Improvements - This fund was established to deposit fees charged for the water treatment plant improvements required by the California State Water Resources Control Board, Division of Drinking Water, and to service the debt established.	690,395
Palo Cedro Special Projects - Pursuant to Resolution 87-38, the purpose of this reservation was to reduce the initial construction cost of the Palo Cedro South Project. Agreement by the property owners was made whereby a capital facilities charge would be levied upon property owners at such times as they choose to connect to the system. The funds are specifically allocated to the construction of improvements at such time as it becomes necessary.	182,768
1996 Redemption Fund - This fund was established to deposit the revenues collected by the County of Shasta for the 96-1 Assessments and repay the obligation with the USDA.	49,354
Total	\$ 3,765,387
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Bella Vista Water District
 NOTES TO THE FINANCIAL STATEMENTS
 (Continued)

12. DESIGNATED UNRESTRICTED NET POSITION

Designated unrestricted net position consists of the following:

Year Ended June 30, 2020

Contingency Fund - This fund was established as an appropriation and interfund transfer account, as needed, for cash flow purposes.	\$ 2,877,555
Municipal and Industrial Reserve - This fund was established to fund current year M&I operating deficit charged by the U.S. Bureau of Reclamation, Department of the Interior.	1,289,729
Extraordinary Operations Maintenance Replacement - This fund was established to assist the District in long-term planning and budgeting for extraordinary major maintenance and replacement costs the District is going to be faced with for its aging facilities and infrastructure. In addition, a separate allocation under this fund was created to assist the District in the purchase of vehicles and large equipment items. It is the goal of the District to smooth the impact of these significant costs over many years rather than significant impact to any one year.	1,944,806
Total	\$ 6,112,090

In addition, the District holds an Irrigation Reserve to fund the Irrigation Operating Deficit charged by the U.S. Bureau of Reclamation, Department of the Interior. This reserve did not hold a balance at June 30, 2020.

The above amount of designated unrestricted net position exceeds the unrestricted net position balance in the statement of net position due to a difference in accounting method between the two statements. The District designates net assets using the modified accrual accounting method which is the accounting method used for internal budgeting purposes. This accounting method does not take into account the net investment in capital assets as a component of net position. Therefore, it results in the District designating more unrestricted net position than is reported in the statement of net position. The full amounts of designated net position have been included in the table above to reflect the actual amounts approved by the District's Board of Directors as designated, however, only \$1,045,360 is actually available to be designated.

13. COMMITMENTS AND CONTINGENCIES

Proposition 218

Proposition 218, which was approved by the voters in November 1996, and amended Article 13 of the State Constitution, regulates the District’s ability to impose, increase, and extend taxes, assessments, and fees. New, increased, or extended taxes, assessments, and fees are subject to the provisions of Proposition 218. This decision was upheld and broadly interpreted to include water rates and charges in the court decision of *Bighorn-Desert View Water Agency vs. Verjil* which states “an agency may not adopt a rate increase if written protests against the proposed fee or charge are presented by a majority” of the affected property owners. In addition, Proposition 218 states that these rates will be fair, equitable, and cost based. Therefore, the District’s ability to finance the services for which the taxes, assessments, and fees are imposed in the future may be impaired. However, management believes it will be able to maintain the current level of revenue it now receives. Subsequent legislation (AB1260 CABALLERO) clarifies the process required to revise fees and rates.

Project Commitments

Project commitments are as follows:

June 30, 2020	Remaining Project Commitment
Drought contingency plan	\$ 20,453

COVID-19

The novel coronavirus, COVID-19, was declared a worldwide pandemic by the World Health Organization on March 11, 2020. The ongoing pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The COVID-19 pandemic remains a rapidly-evolving situation. The impact of the pandemic on the District’s operations and financial performance will depend on future developments, including government mandates and duration of the pandemic, all of which are uncertain and difficult to predict. As a result, it is not currently possible to assess the overall impact of COVID-19 on the District’s future. However, if the pandemic continues, the disease could have a material adverse effect on the District’s results of operations, financial condition, and cash flows. Management is monitoring the situation on a daily basis in order to mitigate the potential impact of COVID-19 on the District’s operations and financial performance. The Governor’s Executive Order, N-42-20, precludes shut-off for non-payment, unless or until rescinded. As a result, the District will likely experience an increase in delinquencies and uncollectible accounts.

Bella Vista Water District

NOTES TO THE FINANCIAL STATEMENTS

(Continued)

14. WATER PURCHASE AGREEMENT

Effective November 25, 2008, the District executed a contract to purchase water. The contract requires the District to annually pay for 1,536 acre feet of water, whether actually taken or not, at rates that are adjusted periodically. The District is also required to pay an administrative fee per acre-foot which is adjusted by 3% annually. The contract is effective through February 28, 2045. The District expects to utilize the full allocation of 1,536 acre feet each year.

15. SUBSEQUENT EVENT

On August 24, 2020, the District's Board of Directors authorized a contract amendment, authorized by the WIIN Act. The WIIN Act is a comprehensive legislation relating to water infrastructure. Section 4011 of Subtitle J outlines the authority and direction for the Secretary of the Interior to negotiate contracts for repayment terms, which may include prepayments, lump sum, or accelerated payments, on existing water service contracts. The contract amendment results in a perpetual repayment contract providing for Project Water Service and Facilities Repayment with the United States Bureau of Reclamation. Under the amendment, the District will remit accelerated repayment on facilities on or before November 30, 2020, in the presently estimated amount of \$1,851,220, to be finalized based on the effective date of the contract.

16. FUTURE GASB IMPLEMENTATION

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Incurred before the End of a Construction Period*. This statement improves financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. Under this statement, interest cost incurred before the end of the construction period will be recognized as an expense in the period in which the cost is incurred. As a result, the interest cost incurred before the end of the construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The District's management has not yet determined the impact that the implementation of this standard, which is required on July 1, 2021, will have on the District's financial statements, if any.

Required Supplementary Information

Bella Vista Water District

SCHEDULE OF CHANGES IN DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS

Years Ended June 30	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 130,586	\$ 187,794	\$ 200,300
Interest	166,384	381,188	266,983
Effect of economic/demographic gains or losses	390,615	(1,846,791)	233,533
Changes of assumptions	-	899,249	-
Benefit payments - including refunds of employee contributions	(183,805)	(151,534)	(131,686)
Net Change In Total OPEB Liability	503,780	(530,094)	569,130
Total OPEB Liability - Beginning of Year	5,113,362	5,643,456	5,074,326
Total OPEB Liability - End of Year (a)	5,617,142	5,113,362	5,643,456
Plan Fiduciary Net Position			
Contributions - employer	399,624	583,504	131,686
Net investment income	29,525	15,681	-
Benefit payments	(183,805)	(151,534)	(131,686)
Administrative expense	(227)	(1,000)	-
Net Change in Plan Fiduciary Net Position	245,117	446,651	-
Plan Fiduciary Net Position - Beginning of Year	446,651	-	-
Plan Fiduciary Net Position - End of Year (b)	691,768	446,651	-
Net OPEB Liability - End of Year ((a) - (b))	\$ 4,925,374	\$ 4,666,711	\$ 5,643,456
Plan fiduciary net position as a percentage of total OPEB liability	12.32%	8.73%	0.00%
Covered-employee payroll	\$ 1,775,053	\$ 1,780,304	\$ 1,729,420
District's net OPEB liability as a percentage of covered-employee payroll	277.48%	262.13%	326.32%

See the accompanying notes to the required supplementary information.

Bella Vista Water District

SCHEDULE OF DISTRICT'S CONTRIBUTIONS - OPEB

Years Ended June 30	2020		2019		2018	
Contractually required contribution	\$	183,805	\$	151,534	\$	131,686
Contributions in relation to the contractually required contribution		(399,624)		(583,504)		(131,686)
Contribution Deficiency (Excess)	\$	(215,819)	\$	(431,970)	\$	-
Covered-employee payroll	\$	1,775,053	\$	1,780,304	\$	1,729,420
Contributions as a percentage of covered-employee payroll		22.51%		32.78%		7.61%

See the accompanying notes to the required supplementary information.

Bella Vista Water District
SCHEDULE OF INVESTMENT RETURNS - OPEB

<u>Years Ended June 30</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Annual money-weighted rate of return - net of investment expense</u>	<u>8.47%</u>	<u>6.57%</u>	<u>0.00%</u>

See the accompanying notes to the required supplementary information.

Bella Vista Water District

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Years Ended June 30	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0555%	0.0524%	0.0511%	0.0480%	0.0415%	0.0214%
District's proportionate share of the net pension liability (asset)	\$ 2,221,293	\$ 1,975,259	\$ 2,012,650	\$ 1,666,007	\$ 1,140,607	\$ 1,330,145
District's covered-employee payroll	\$ 1,775,053	\$ 1,780,304	\$ 1,729,420	\$ 1,757,845	\$ 1,650,845	\$ 1,483,341
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	125.14%	110.95%	116.38%	94.78%	69.09%	89.67%
Plan fiduciary net position as a percentage of the total pension liability	75.26%	71.90%	73.90%	80.70%	86.56%	83.03%

See the accompanying notes to the required supplementary information.

Bella Vista Water District

SCHEDULE OF DISTRICT'S CONTRIBUTIONS – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Years Ended June 30	2020		2019		2018		2017		2016		2015	
Contractually required contribution	\$	138,582	\$	132,983	\$	122,431	\$	124,469	\$	110,373	\$	125,721
Contributions in relation to the contractually required contribution		(138,582)		(132,983)		(122,431)		(124,469)		(110,373)		(125,721)
Contribution Deficiency (Excess)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
District's covered-employee payroll	\$	1,775,053	\$	1,780,304	\$	1,729,420	\$	1,757,845	\$	1,650,845	\$	1,483,341
Contributions as a percentage of covered-employee payroll		7.81%		7.47%		7.08%		7.08%		6.69%		8.48%

See the accompanying notes to the required supplementary information.

1. SCHEDULE OF CHANGES IN DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS

Changes in Benefit Terms

There were no significant changes in benefit terms during the measurement period ended June 30, 2020.

Changes in Assumptions

There were no changes in major assumptions during the measurement period ended June 30, 2020.

2. CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Changes in Benefit Terms

There were no significant changes of benefit terms during the measurement period ended June 30, 2019.

Changes in Assumptions

There were no changes in major assumptions during the measurement period ended June 30, 2019.

OTHER REPORT SECTION

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Bella Vista Water District
Redding, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of the business-type activities of Bella Vista Water District (the District) as of and for the year ended June 30, 2020; and the related notes to the financial statements, which collectively comprise the District's basic financial statements; and have issued our report thereon dated October 12, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions to prevent, or detect, and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

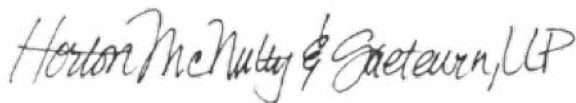
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



October 12, 2020
Chico, California